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DOMINION
FOUNDRIES
AND
STEEL,
LIMITED

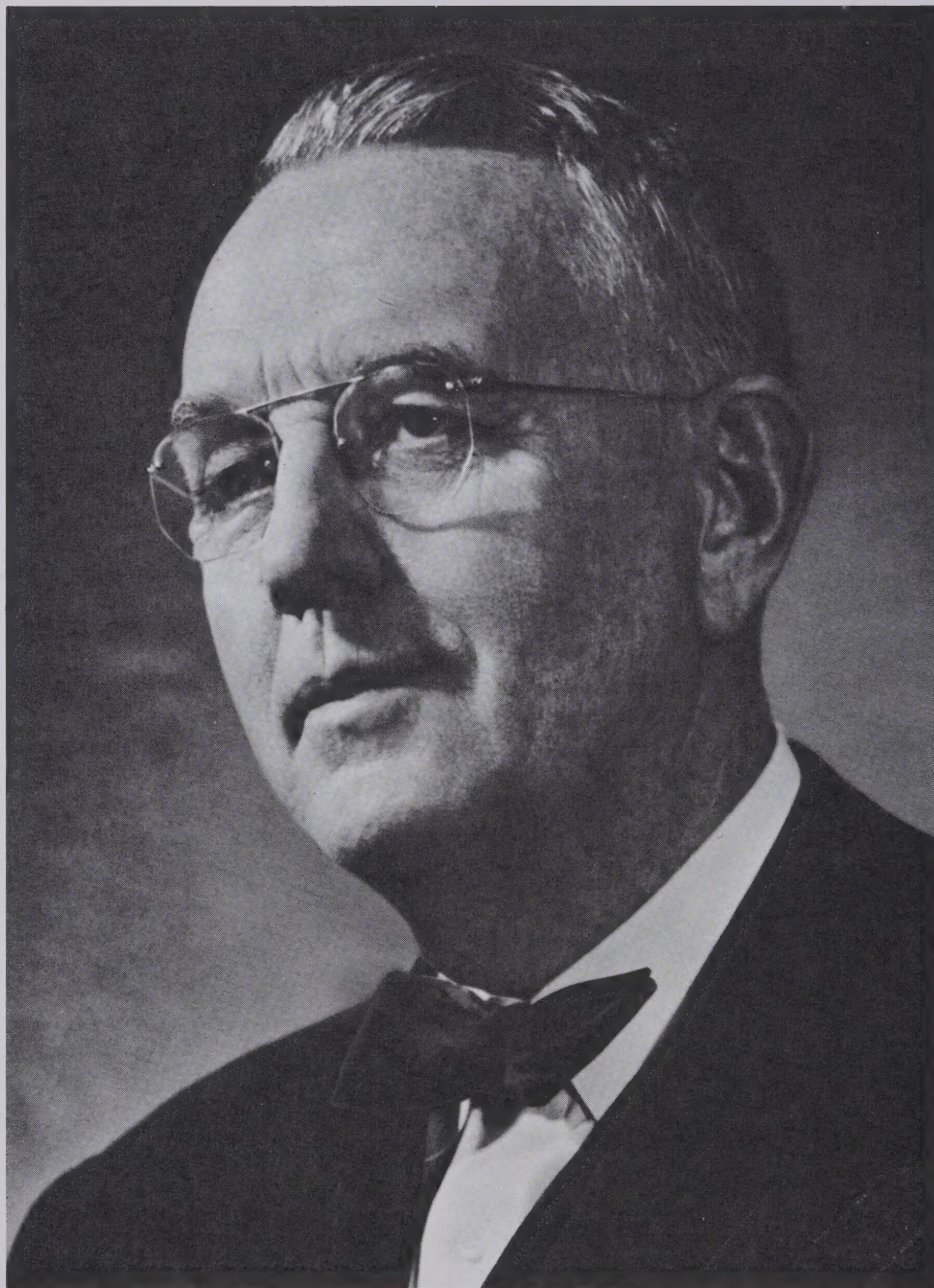
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ANNUAL
REPORT
1966

DOFASCO

MAR 28 1967

The Annual and Special General Meeting of Shareholders will be held at the offices of the Company in Hamilton, Ontario, on Friday, April 28, 1967 at 12:00 o'clock noon. Formal notice of the meeting together with a form of proxy will be mailed to shareholders prior to the meeting.



FRANK A. SHERMAN — (1887-1967)

THERE ARE FEW moments in the life of a company that touch it so deeply as the death of a man who moulded its very fabric. We are saddened by a deep sense of personal loss.

Frank Albert Sherman was not an ordinary man. He was many things — an innovator, a salesman, a keen sportsman, an inspired leader of men and above all, a humanitarian. He had a genuine love for his fellow man. He believed in the dignity and equality of all human beings.

Mr. Sherman was a pioneer, a builder, an innovator. In the course of his long career, he tackled the seemingly impossible and it was largely through his zest for exploring new areas that Dofasco established a world-wide reputation for pioneering. He directed the research and planning for many new “firsts” in the steel industry, including the oxygen steelmaking process in 1954, first in North America. It is now used by most of the leading steelmakers on the continent.

He was a keen sportsman. A baseball player in his teens, Mr. Sherman became active in the organization of participant sports, both in the employee group and in the community. He brought to this endeavour the same energy, the same leadership, the same principles that had won him the respect and affection of his business associates. He was above all a humanitarian. He was absorbed by the human element of business and was largely responsible for the adoption of an Employees’ Savings and Profit Sharing Plan in 1938. He established the Golden Rule as the company policy to govern all human relations.

The respect which he earned in his community is reflected in the pages of The Hamilton Spectator:

“Big men built steel, wove it into the physical sinews of Canada through its progressive and dynamic years. In this endeavour, Frank A. Sherman, a genius of his industry, not only pioneered in organization and in techniques but represented something even greater, the heart and imagination of one who saw in those many who worked with him the most important element of all. He was a pioneer above all in giving to thousands of men that vital feeling of partnership of working to create and a share in the achievement . . . The work, the skill and dedication of those who made steel would choose no finer single name among the leaders than that of Frank A. Sherman.”

He was a great Canadian.

He is gone now, but the ideals and principles for which he lived, live on — in the hearts and souls of the men he guided and inspired.

ANNUAL REPORT — 1966

DOMINION FOUNDRIES AND STEEL, LIMITED

HAMILTON, ONTARIO

FOR THE YEAR ENDED DECEMBER 31, 1966
ON A CONSOLIDATED BASIS

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DOMINION FOUNDRIES AND STEEL, LIMITED

HIGHLIGHTS

	<u>1966</u>	<u>1965</u>
Production of ingots and castings — net tons	1,877	1,785
Sales	\$ 271,086	\$ 268,347
Net income	\$ 24,557	\$ 25,609
Net income per common share*	\$ 1.52	\$ 1.61
Dividends declared — per common share*	\$ 0.60	\$ 0.57½
per preferred share*	\$ 4.75	\$ 3.17
Working capital	\$ 69,949	\$ 76,767
Capital expenditures — plant	\$ 56,906	\$ 38,244
Investment in ore properties	\$ 24,772	\$ 6,577
Depreciation	\$ 17,504	\$ 14,548
Average number of employees*	8,445	8,625
Number of common shareholders*	19,805	18,818

Figures for 1965, and to date of sale in 1966, include Canadian Trailmobile Limited.

* Figures are in thousands except where indicated.

HONORARY DIRECTORS

*FREDERICK A. LOOSLEY	Hamilton
FREDERICK W. SHERMAN	Loudonville, N.Y.

DIRECTORS

HARRY N. BAWDEN	Vice Chairman, Dominion Securities Corporation Limited, Toronto
R. ROSS CRAIG	Executive Vice President — Commercial
DANIEL F. HASSEL	Vice President — Industrial Relations
JOHN D. LEITCH	Chairman, Maple Leaf Mills Limited, Toronto
BRUCE A. NORRIS	President and Treasurer, Norris Grain Company, Chicago
THOMAS F. RAHILLY	Honorary Chairman, Canada Iron Foundries, Limited, Toronto
W. HAROLD REA	Chairman, Great Canadian Oil Sands Limited, Toronto
JOHN G. SHEPPARD	Executive Vice President — Financial and Secretary
**FRANK A. SHERMAN	Chairman
FRANK H. SHERMAN	President and Chief Executive Officer
MORLEY F. VERITY	Chairman, Crown Electrical Manufacturing Limited, Brantford
ARTHUR G. WRIGHT	Vice Chairman — Finance

EXECUTIVE OFFICERS

**FRANK A. SHERMAN	Chairman
ARTHUR G. WRIGHT	Vice Chairman — Finance
FRANK H. SHERMAN	President and Chief Executive Officer
R. ROSS CRAIG	Executive Vice President — Commercial
JOHN G. SHEPPARD	Executive Vice President — Financial and Secretary
DANIEL F. HASSEL	Vice President — Industrial Relations
DAVID O. DAVIS	Vice President — Engineering
DAVID A. LINDSEY	Vice President — Purchasing
WILLIAM C. HASSEL	Vice President — Works Manager
W. RUSSELL WEIR	Vice President — Product Quality
F. JOHN McMULKIN	Vice President — Research
JACK PLUMPTON	Comptroller
THOMAS VAN ZUIDEN	Assistant Treasurer
DOROTHY M. CAULEY	Assistant Secretary

**deceased May 11, 1966*

***deceased January 27, 1967*

TRANSFER AGENTS AND REGISTRARS

National Trust Company, Limited — Toronto, Montreal, Vancouver, Winnipeg, Calgary
The Bank of Nova Scotia Trust Company — New York

TRANSFER AGENTS

Eastern & Chartered Trust Company — Halifax

DOMINION FOUNDRIES AND STEEL, LIMITED

DIRECTORS' REPORT

To the Shareholders and Employees:

You will notice that the Directors' letter this year is directed to employees as well as to shareholders. This has been done because we believe that people who play such a vital role in the company should be informed of its progress.

The annual report of the company for the year ended December 31, 1966, incorporates therein, on a consolidated basis, the results of its wholly-owned subsidiary, National Steel Car Corporation, Limited. On September 27, 1966, National Steel Car Corporation sold its interest in Canadian Trailmobile Limited. The consolidated results incorporate those of Canadian Trailmobile Limited to that date and reflect a small profit on disposal.

SUMMARIES

For ready reference, highlights of production and financial data for the year, compared with 1965, appear on page 5 and a ten year summary is provided on page 20.

OPERATIONS — A RECORD IN PRODUCTION AND SALES, BUT EARNINGS OFF 4%

The year 1966 was another record year for production and sales. Production of steel ingots and castings reached 1,877,337 tons — an increase of 5% over 1965. Sales totalled \$271,086,171 for the year, compared to \$268,347,255 in 1965.

Net earnings after income taxes amounted to \$24,557,398 compared with \$25,608,562 in 1965. Earnings per common share were \$1.52 after providing for a full year of preferred dividends, against \$1.61 last year which was after eight months of preferred dividends.

As demand slackened in the last half of the year, it became more difficult to maintain sales volume. Costs of supplies and services and employment continued upwards in 1966; interest and depreciation charges were also higher as a result of the very substantial expenditures on plant facilities.

These expenditures have made the company one of the most efficient steel producers in the world and have enabled it to maintain satisfactory earnings despite steadily increasing costs. In recent months, however, it became apparent that this was no longer possible as profit margins declined. Accordingly, early in 1967, price adjustments were effected to help offset some of the increased costs.

Depreciation, written at rates considered adequate to amortize the cost of facilities over their useful life, amounted to \$17,504,108 an increase of \$2,955,727 for the year.

On April 1, 1966, the Scully Mine at Wabush, in which your company has a 15% interest, commenced the thirty-six month tax exempt period as provided for under the Income Tax Act. Operation of this project had the effect of increasing net earnings by \$1,800,000 for the year.

Demand for railroad equipment remained strong during 1966. In December 1966, the United Steelworkers of America were granted certification by the Ontario Labour Board as the bargaining agent for the hourly paid employees of National Steel Car.

FINANCIAL POSITION — BANK INDEBTEDNESS INCREASED

Details of changes in the company's working capital position are set out in the consolidated statement of Source and Disposition of Funds which appears on page 15.

During the year the company arranged for a fixed term bank loan of \$12,500,000 U.S. funds repayable on June 1, 1969. At December 31, 1966, this loan together with the \$35,000,000 U.S. funds of revolving bank credit were fully utilized.

Debentures in the principal amount of \$2,114,000 were retired during the year, either by purchase for cancellation or redemption, in accordance with the sinking fund provisions relating to the respective debenture issues.

Under the company's stock option plan for certain officers and staff, common shares were issued in 1966 for a value of \$174,049.

Working capital declined by \$6,818,000 during the year. This results from the very substantial capital expenditures both for manufacturing facilities at Hamilton and for the Sherman Mine project which are more fully described in separate sections of this report.

DIVIDENDS

Dividends of \$4.75 per share on the 4¾% preferred shares and 60c per share on the common shares were declared during 1966. The common dividend paid on January 3, 1967, was the 119th consecutive dividend.

CAPITAL EXPENDITURES — REACHED A PEAK IN 1966

Capital expenditures during the year totalled \$82,000,000 including \$24,800,000 in connection with the mine projects. At December 31, 1966, further expenditures of \$48,400,000 had been authorized of which \$22,500,000 represented the amount required to complete the development of the Sherman Mine and \$5,300,000 was for expansion of the Scully Mine at Wabush.

MANUFACTURING FACILITIES — MODERNIZATION AND EXPANSION OF PLANT TO IMPROVE PRODUCTION

Expenditures on plant facilities at Hamilton amounted to \$57,661,000. The major items include the cost of completing the conversion of the hot mill to a 7-stand mill, the completion of the third pickle line and the 2-stand cold reduction and temper mill.

Also, substantial expenditures were incurred during 1966 on a battery of fifty-three new coke ovens, a fourth oxygen plant, a coil storage building, a scarfer machine in the hot mill to improve quality, additional batch annealing furnaces, a third galvanizing line and a 5-stand fifty-six inch cold mill. Approximately \$20,600,000 will be required to complete these and other facilities during 1967.

The company's program of capital expenditures includes plans designed to eliminate or abate water and air pollution and by the end of the current year will have amounted to \$12,000,000 in the past decade. Specific projects presently under way provide for removal of phenol in a biological oxidation plant, removal and recovery of ammonium sulphate, desulphurizing of coke oven gas by the new Stretford process and the recovery of oxygen furnace fines.

Early in 1967, it was announced that the company had purchased from British Motor Corporation of Canada Limited, its property on Kenilworth Avenue North in Hamilton. This purchase provides approximately seventy-three acres for the future expansion of Dofasco's facilities. The company also finalized arrangements with Cyanamid of Canada Limited for the repurchase of property which had been sold to them in 1958. This property, comprising twenty acres, is adjacent to Dofasco's bay front location and was no longer required by Cyanamid as its operations at this plant were terminated. Dofasco now owns just over seven hundred acres, including water lots, in Hamilton.

IRON ORE PROPERTIES — CONSTRUCTION PROGRESSES AT SHERMAN MINE; INCREASED PRODUCTION AT SCULLY MINE

Construction work at Sherman Mine near Timagami in Northern Ontario is progressing satisfactorily and the mine should be ready for production in 1968. The service building with offices was completed in the spring of 1966. The concentrator building is about finished and the pelletizing building is nearing completion. Most of the equipment has been ordered and installation has begun. Stripping and development of ore bodies are well under way.

The fire at the concentrator plant at Wabush in February 1966 interrupted production and caused delays with a consequent reduction in pellets received from the Scully Mine below the quantity anticipated. Full production is expected for the current year.

As of December 31, 1966, Dofasco was committed to acquire a further 1.4% of the joint venture assets of the Scully Mine from certain other participants. The company will also acquire a further .1% interest in Arnaud Pellets which means it will have a 16.4% interest in each of the Wabush and Arnaud joint ventures.

In 1967, the participants have agreed to expand the concentrating and pelletizing facilities. Dofasco's share of the pellet production will be increased from 800,000 gross tons to almost 1,000,000 gross tons per year.

RESEARCH — A VITAL PART OF OUR OPERATION

Research staff and facilities were further developed during the past year and their efforts concentrated on the following major studies:

In line with the trend towards the use of tin free steel, an appraisal program on the various coating treatments which might be used to replace tin.

Fundamental research on the corrosion resistance of tin plate for canning carbonated beverages.

Working out a successful method for the sampling and rapid analysis of oxygen in steel and the application of this to improve deoxidation control.

Feasibility studies of a metallizing unit to recover all our waste iron oxides.

Exploration of the BISRA (British Iron and Steel Research Association) spray refining method as a possible step towards instant steelmaking.

Improvements in oxygen steel furnace control in developing better temperature measurement and better calculation of the furnace charge.

PRODUCT DEVELOPMENT

During the past year our foundry division has introduced new suspension designs for railroad passenger car trucks for the growing mass transportation and high speed passenger services and new type trucks for high tonnage capacity freight cars.

Products are in development which will direct flat rolled steels to new applications in the commercial construction and domestic housing industries. An important aspect of this development is the promotion of prepainted steels to introduce colour to enhance the competitive appeal of steel.

Paint systems now available range from alkyds to fluoropolymers for such end uses as building siding, base-board heating, drapery track and automotive products. New finishes are being developed to suit the many new applications.

DOFASCO EMPLOYEE RELATIONS — EMPHASIZE TEAMWORK AND PROFIT SHARING

We reported to you last year that our profit sharing plan for employees had been revised and updated. The original plan provided funds at retirement only, and the new plan, while continuing to provide retirement security, makes cash available for current needs on a yearly basis if the employee so elects. These changes have been enthusiastically received.

The solid support given management by our employees is a great asset of the company, and in turn, of its owners, the shareholders.

COMMUNITY ACTIVITIES — INCLUDE INDIVIDUAL AS WELL AS FINANCIAL SUPPORT

The company has always recognized the importance of taking an active part in educational, social and welfare programs. Support is given through financial contributions and by encouraging employees to participate in community projects. Our employees give both their time and financial support, serving on many of the councils and boards of educational, social and welfare agencies in the community.

OUTLOOK — OPTIMISTIC AND CHALLENGING

The general order position as compared to 1966 is considerably lower due to the reduction of the excess inventories in customers' plants and the improved availability of mill steel on short notice.

The demand for steel for the automotive industry has slackened as new car sales are lower. The results of the Canada-United States Automotive Agreement are being studied, and while it is still too early to tell what overall effect it will have in increasing the usage of Canadian steel, we feel it will be beneficial to the total consumption.

The Federal Government's money policy has resulted in a slow-down in the construction industry, particularly in the field of home and apartment building. This, in turn, is affecting the demand for galvanized sheets and other sheet products used in appliances. The present outlook is that the current easing of money will increase steel purchases in the second half of the year.

Our new 2-stand temper mill has helped improve our quality and availability of double reduced tinplate for beverage cans. This use of tinplate increased by approximately 50% over 1965. The regular vegetable packs of peas, corn and tomatoes were off due to the poor growing conditions during the summer and it is expected, with the lower inventories, that increased acreage will result in a good pack this year.

The new 7-stand continuous hot mill is operating well and the improved quality has opened up new markets, particularly for automotive bumper steel and applications requiring a smooth surface for painting, such as electrical panels.

The demand for silicon electrical steel is very good and this new product is well accepted by the trade. Orders for our hot rolled skelp are down due to the reduced demand for small diameter pipe for pipeline construction.

The imports of steel and steel products will be greater this year, particularly in the markets along the coasts. At the present time, there is a worldwide over-production of steel and a reduced buoyancy to business, which is causing many world producers to sell at distressed prices in overseas markets. This situation has considerably reduced your company's opportunities for exporting steel, even at marginal prices.

The Baycoat operation is functioning well. Start-up was slow due to necessary break-in and development work and the need to establish the new product. However, we are now operating two shifts per day, the market is expanding and has a bright future.

Our order position, which declined sharply throughout the fourth quarter of 1966, has levelled off, and now shows signs of improvement.

The massive one hundred million dollar program for plant equipment and facilities is nearly complete. We are now in the position to increase output and further improve quality in all the major departments in the plant. These include: coke (fuel for the blast furnaces), steel ingots (for the hot rolling mill), hot rolled products, cold rolled products and galvanized products.

Your company is thus in an excellent position to share in the increased market for steel in Canada that lies ahead.

BOARD OF DIRECTORS

The Directors express their profound sorrow at the loss of the Chairman of the Board, Frank A. Sherman, who died on January 27, 1967. A more appropriate tribute is recorded on page 3 of this Annual Report.

In April 1966, Mr. F. W. Sherman of Loudonville, New York, submitted his resignation as a Director, due to ill health, after serving on the Board since 1933.

Mr. F. A. Loosley, Vice Chairman — Research and Development, also tendered his resignation because of ill health. Mr. Loosley was elected to the Board in 1950.

The Board of Directors, in appreciation of their long and faithful service and wise counsel as Board members, appointed Mr. F. W. Sherman and Mr. F. A. Loosley Honorary Directors of the company.

It is with sincere regret that we record the death of Mr. Loosley on May 11, 1966. Mr. Loosley joined Dofasco in 1915, and became one of the key influences in building the company to its present position in the steel industry.

and made a major contribution to the installation of North America's first oxygen steelmaking furnaces at Dofasco.

Mr. R. R. Craig and Mr. J. G. Sheppard were elected Directors to fill the vacancies on the Board.

Mr. Craig joined Dofasco in 1935 and, after acquiring a complete knowledge of Time and Cost Distribution Departments, entered sales in 1939. In 1951 he was appointed Vice President, Tin Plate and Sheet Sales and in 1961 became Vice President — Marketing. In October 1964, Mr. Craig was appointed Executive Vice President — Commercial. Mr. Craig is a Director of National Steel Car Corporation, Limited and Baycoat Limited.

Mr. Sheppard also commenced employment in 1935 and after a thorough training in cost, plant and sales offices was made Assistant to the Vice Presidents in 1950, Secretary-Comptroller in 1954 and Vice President — Secretary — Comptroller in 1961. In 1964, Mr. Sheppard was appointed Executive Vice President — Financial and Secretary of the company. He is also a Director of National Steel Car Corporation, Limited, Baycoat Limited, Arnaud Railway Company and Wabush Lake Railway Company Limited.

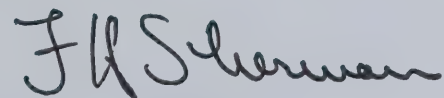
The Directors express their appreciation to the management and employees at all levels for their conscientious efforts and co-operation throughout the year.

Respectfully submitted,

BOARD OF DIRECTORS



Vice Chairman — Finance



President

Hamilton, Ontario,
March 22, 1967.

DOFASCO

DOMINION FOUNDRIES AND STEEL, LIMITED (INCORPORATED UNDER THE LAWS OF CANADA)

ASSETS

CURRENT:	1966	1965
Cash	\$ 730	\$ 4,763
Investment in short term securities at cost and accrued interest (approximating market value)	401	8,726
Accounts receivable	34,905	33,827
Inventories at the lower of cost or net realizable value	74,305	65,703
Total current assets	<u>110,341</u>	<u>113,019</u>
FIXED (notes 2, 3 and 4):		
Land, buildings and equipment at cost	435,935	356,824
Less accumulated depreciation and depletion	140,792	125,115
	<u>295,143</u>	<u>231,709</u>
OTHER:		
Special refundable income tax	1,941	
Investment in other companies at cost	6,313	5,403
Deferred charges and other assets	1,975	2,526
	<u>10,229</u>	<u>7,929</u>
On behalf of the Board:		
A. G. Wright, Director		
F. H. Sherman, Director		
	<u>\$ 415,713</u>	<u>\$ 352,657</u>

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1966

(with comparative figures at December 31, 1965 — in thousands of dollars)

LIABILITIES

CURRENT:	1966	1965
Bank indebtedness	\$ 5,500	\$ 2,145
Accounts payable and accrued charges	24,759	25,028
Amounts payable for employees' profit sharing	5,201	3,356
Income and other taxes payable	1,316	2,118
Dividends payable	2,607	2,605
Sinking fund payments due within one year (note 5)	1,009	1,000
Total current liabilities.	40,392	36,252
LONG TERM DEBT (note 5)	79,436	52,444
ACCUMULATED TAX REDUCTIONS applicable to future years (note 7)	88,676	69,770
MINORITY INTEREST in partly-owned subsidiary		1,288
SHAREHOLDERS' EQUITY:		
Capital stock (note 6) —		
500,000 preferred shares of the par value of \$100 each authorized of which 250,000 4¾% cumulative redeemable preferred shares, Series A, are issued	25,000	25,000
25,000,000 common shares of no par value authorized of which 15,397,003 shares are issued (1965 — 15,387,348 shares)	50,212	50,038
Retained earnings	131,997	117,865
	207,209	192,903
	\$ 415,713	\$ 352,657

DOMINION FOUNDRIES AND STEEL, LIMITED

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR YEAR ENDED DECEMBER 31, 1966

(with comparative figures for 1965 — in thousands of dollars)

INCOME	1966	1965
Sales	\$ 271,086	\$ 268,347
Income from operations (after providing for minority interest) before the following deductions	\$ 71,922	\$ 73,120
Depreciation and depletion (note 7)	17,504	14,548
Allotted for employees' profit sharing	5,201	3,356
Interest on long term debt (less discount on purchase of debentures)	3,569	2,611
	26,274	20,515
Income from operations	45,648	52,605
Income from investments	609	904
Income before income taxes	46,257	53,509
Income taxes (note 7)	21,700	27,900
Net income for year	\$ 24,557	\$ 25,609
 RETAINED EARNINGS		
Balance at beginning of year	\$ 117,865	\$ 102,516
Add net income for year	24,557	25,609
	142,422	128,125
Deduct:		
Dividends declared —		
4¾% preferred shares, Series A	1,188	793
Common shares (1966 — 60c per share; 1965 — 57½c per share)	9,237	8,842
	10,425	9,635
Commissions on issue of preferred shares		625
	10,425	10,260
Balance at end of year	\$ 131,997	\$ 117,865

DOMINION FOUNDRIES AND STEEL, LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

FOR YEAR ENDED DECEMBER 31, 1966

(with comparative figures for 1965 — in thousands of dollars)

SOURCE OF FUNDS:

Operations —	1966	1965
Net income for year	\$ 24,557	\$ 25,609
Charges not requiring cash outlays:		
Depreciation	17,504	14,548
Income tax reductions (note 7)	19,012	19,060
	<u>61,073</u>	<u>59,217</u>
Additional long term bank indebtedness	29,115	
Capital stock issued for cash —		
Preferred shares (less commissions)		24,375
Common shares	174	454
Increase in minority interest in partly-owned subsidiary		72
	<u>90,362</u>	<u>84,118</u>

DISPOSITION OF FUNDS:

New facilities and equipment — manufacturing	56,906	38,244
— iron ore projects.	24,772	6,577
Dividends to shareholders	10,425	9,635
Debentures purchased for cancellation or due within one year	2,123	1,366
Reduction of long term bank indebtedness		2,143
Special refundable income tax	1,941	
Other changes (net).	1,013	2,155
	<u>97,180</u>	<u>60,120</u>

INCREASE OR (REDUCTION) IN WORKING CAPITAL

(6,818) 23,998

WORKING CAPITAL AT BEGINNING OF YEAR

76,767 52,769

WORKING CAPITAL AT END OF YEAR

\$ 69,949 \$ 76,767

DOMINION FOUNDRIES AND STEEL, LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1966

(1) BASIS OF CONSOLIDATION —

The consolidated financial statements for 1966 incorporate the assets, liabilities and earnings of the wholly-owned subsidiary, National Steel Car Corporation, Limited (called National) and National's interest in the earnings of Canadian Trailmobile Limited (called Trailmobile), a partly-owned subsidiary of National, until its sale in September 1966. The profit on disposal of Trailmobile, \$52,000, is included in the accompanying statement of income.

(2) PARTICIPATION IN JOINT VENTURES —

The company has an undivided interest in three joint ventures — such interest being 15% of the Wabush project (Scully Mine), 16.3% in a related pellet plant and 90% in the Sherman Mine. The company's share of expenditures on these projects to December 31, 1966 aggregates \$67,722,000 (1965 — \$45,862,000). Joint venture assets are included in the accompanying balance sheet under the captions to which they relate — principally fixed assets and investment in other companies.

(3) FIXED ASSETS —

These consist of the following at December 31, 1966:

	Cost	Accumulated depreciation and depletion	Depreciated value
Manufacturing —			
Land	\$ 5,477,000		\$ 5,477,000
Equipment	304,210,000	\$126,479,000	177,731,000
Buildings and other	60,409,000	13,048,000	47,361,000
	<u>370,096,000</u>	<u>139,527,000</u>	<u>230,569,000</u>
Iron ore projects —			
Wabush project (including pellet plant)	37,525,000	1,265,000	36,260,000
Sherman Mine	28,314,000		28,314,000
	<u>65,839,000</u>	<u>1,265,000</u>	<u>64,574,000</u>
	<u>\$435,935,000</u>	<u>\$140,792,000</u>	<u>\$295,143,000</u>

(4) COMMITMENTS —

The unexpended portion of capital expenditures authorized at December 31, 1966 amounted to approximately \$48,400,000 (including \$27,800,000 for the joint ventures referred to above).

DOMINION FOUNDRIES AND STEEL, LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1966

(5) LONG TERM DEBT —

	Originally authorized and issued	Outstanding December 31, 1966	Outstanding December 31, 1965
4½% debentures maturing March 15, 1969 (sinking fund of \$300,000 per annum)	\$ 6,000,000	\$ 3,809,000	\$ 3,859,000
4¾% debentures maturing February 1, 1971 (sinking fund of \$950,000 per annum 1967 and 1968 and \$1,250,000 per annum 1969 and 1970)	15,000,000	9,500,000	9,525,000
6¾% debentures maturing December 1, 1974 (sinking fund of \$1,000,000 per annum — 1967 requirements met in 1966)	20,000,000	15,961,000	18,000,000
6½% bank loan maturing June 1, 1969 (\$12,500,000 U.S. funds)		13,453,000	
Revolving bank credit of \$35,000,000 U.S. funds repayable December 31, 1971 bearing interest at prevailing rates — indebtedness at December 31:			
1966 — \$35,000,000 U.S.		37,722,000	
1965 — \$20,500,000 U.S.			22,060,000
Outstanding at December 31		80,445,000	53,444,000
Less sinking fund payments due in succeeding year included under current liabilities		1,009,000	1,000,000
		<u>\$ 79,436,000</u>	<u>\$ 52,444,000</u>

(6) CAPITAL STOCK —

A plan was adopted in 1964 authorizing employee stock options extending to April 1974 and covering a maximum of 480,000 common shares. The number of common shares covered by each option varies with changes in the optionee's remuneration and therefore cannot be determined until the last year of its term. To December 31, 1966 options were granted to forty-three employees (of whom eleven are officers) at \$18 per share and to one employee at \$25 per share. During 1966, 9,655 common shares were issued under this plan for cash, 9,618 shares at \$18 per share and 37 shares at \$25 per share.

DOMINION FOUNDRIES AND STEEL, LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1966

(7) DEPRECIATION —

As a result of claiming for tax purposes capital cost allowances and mine preproduction expenses in excess of recorded depreciation and depletion, income taxes payable will be less than the current year's provision by \$19,012,000 (1965 — \$19,060,000) and accordingly this amount is included in the balance sheet under the item "Accumulated tax reductions applicable to future years."

(8) STATUTORY INFORMATION —

Remuneration received in 1966 by directors as directors, officers or employees, \$390,132.

AUDITORS' REPORT

To the Shareholders of Dominion Foundries and Steel, Limited:

We have examined the consolidated balance sheet of Dominion Foundries and Steel, Limited as at December 31, 1966 and the consolidated statements of income and retained earnings and source and disposition of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated financial statements present fairly the financial position of the companies at December 31, 1966 and the results of their operations and the changes in their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, Canada,
January 31, 1967.

CLARKSON, GORDON & Co.
Chartered Accountants.

The Steel Pavilion, located on Ile Notre Dame directly south of the pavilions of the U.S.A. and the U.S.S.R., will dramatically tell the exciting story of basic steel in Canada to the many who will visit Expo '67.



DOMINION FOUNDRIES AND STEEL, LIMITED

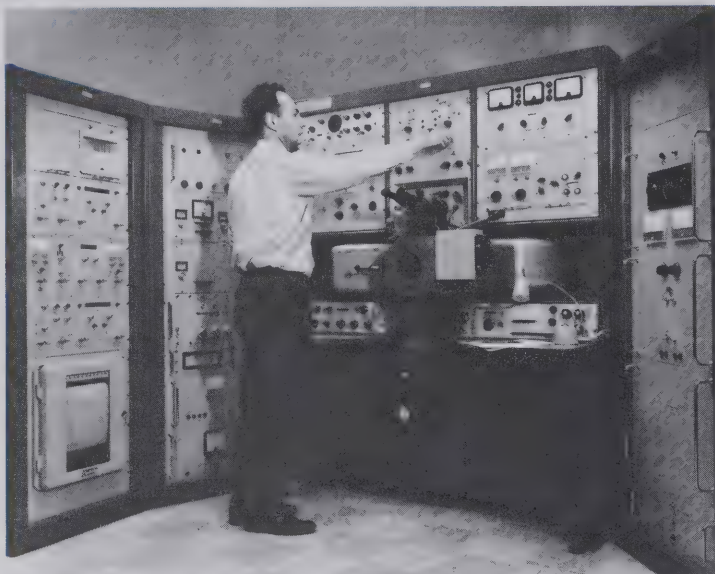
	<u>1966</u>	<u>1965</u>	<u>1964</u>	<u>1963</u>
Production of ingots and castings — net tons	1,877	1,785	1,584	1,391
Sales	\$271,086	\$268,347	\$229,194	\$177,314
Net income	\$ 24,557	\$ 25,609	\$ 23,457	\$ 19,741
Net income per common share*	\$ 1.52	\$ 1.61	\$ 1.53	\$ 1.29
Dividends declared — per common share*	\$ 0.60	\$ 0.57½	\$ 0.48¾	\$ 0.41¼
per preferred share*	\$ 4.75	\$ 3.17	—	—
Working capital	\$ 69,949	\$ 76,767	\$ 52,769	\$ 38,368
Capital expenditures — plant	\$ 56,906	\$ 38,244	\$ 37,691	\$ 18,114
Investment in ore properties	\$ 24,772	\$ 6,577	\$ 15,969	\$ 7,775
Depreciation	\$ 17,504	\$ 14,548	\$ 13,114	\$ 11,821
Average number of employees*	8,445	8,625	7,579	5,942
Number of common shareholders*	19,805	18,818	15,924	13,060

Figures are on a consolidated basis for the year 1962 and subsequent years.

** Figures are in thousands except as indicated*

TEN YEAR SUMMARY OF PRODUCTION AND FINANCIAL DATA

<u>1962</u>	<u>1961</u>	<u>1960</u>	<u>1959</u>	<u>1958</u>	<u>1957</u>
1,243	1,126	992	884	731	604
\$167,502	\$133,385	\$117,774	\$114,945	\$ 97,768	\$ 91,328
\$ 16,557	\$ 14,094	\$ 11,827	\$ 13,437	\$ 11,236	\$ 8,428
\$ 1.09	\$ 0.98	\$ 0.83	\$ 0.94	\$ 0.78	\$ 0.64
\$ 0.40	\$ 0.36¼	\$ 0.35	\$ 0.31¼	\$ 0.26¼	\$ 0.25
\$ 1.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50
\$ 36,168	\$ 34,148	\$ 31,232	\$ 43,419	\$ 35,571	\$ 24,001
\$ 16,923	\$ 12,049	\$ 27,965	\$ 28,548	\$ 8,984	\$ 13,470
\$ 10,351	\$ 4,951	—	—	—	—
\$ 10,956	\$ 10,261	\$ 9,131	\$ 7,348	\$ 6,278	\$ 5,591
5,892	4,543	4,517	4,200	3,827	4,090
13,381	11,206	11,377	11,114	10,267	9,901



This Electron Micro-Probe installed in 1966 enables Dofasco's Research and Metallurgical staffs to carry out rapid analyses of microscopic-size areas in a steel sample, and will make a major contribution to studies of new steels and steelmaking techniques.

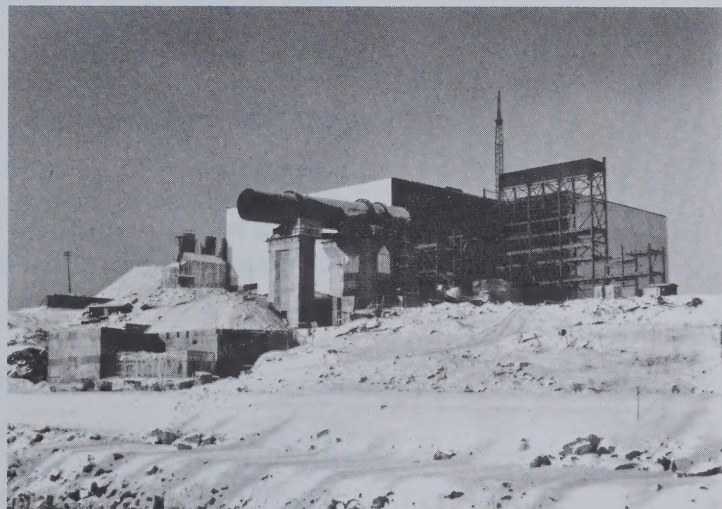


The third battery of Coke Ovens completed at the end of the year insures self-sufficiency in this fuel for the Company's blast furnaces.



This highly automated 7-stand tandem Hot Strip Finishing Mill provides higher quality through precise computer control, opening up new markets for Dofasco hot rolled steels.

A view from the southeast of the pelletizing and concentrating plants under construction at the Sherman Mine. The rotary kiln of the pelletizing mill is in the foreground.



Stripping operations at the Sherman Mine proceeded throughout 1966, providing waste rock for construction and preparing ore bodies for open pit mining. Close to a million and a quarter tons of rock were moved during the year. The mine should be ready for production in 1968.



DOFASCO PRODUCTS

Hot Rolled Sheet and Strip	Tin Mill Black Plate
Hot Rolled Plate	Electrolytic Tin Plate
Skelp	Galvanized Sheet and Strip
Cold Rolled Sheet and Strip	Pre-Painted Steel
Vitreous Enamelling Sheet	Carbon, Alloy and Stainless Steel Castings
Silicon Electrical Sheet and Strip	Pig Iron
	Coke Oven By-Products

SUBSIDIARY

National Steel Car Corporation, Limited

JOINT VENTURES

The Sherman Mine, Timagami, Ontario
The Scully Mine, Wabush, Newfoundland
Arnaud Pellets, Pointe Noire, Quebec
Kimberley Ventures, Australia

ASSOCIATED COMPANIES

Baycoat Limited, Hamilton, Ontario (50% ownership)
Itmann Coal Company, West Virginia (6% ownership)
Arnaud Railway Company, Quebec
Knoll Lake Minerals Limited, Newfoundland
Northern Airport Limited, Newfoundland
Northern Land Company Limited, Newfoundland
Twin Falls Power Corporation, Limited, Newfoundland
Wabush Lake Railway Company, Limited, Newfoundland

DOFASCO